

**ENVIRONMENT NORTHEAST**

**Financial Statements**

**December 31, 2012 and 2011**

**Independent Auditor's Report**

To the Board of Directors  
Environment Northeast

**Report on the Financial Statements**

We have audited the accompanying statements of financial position of Environment Northeast (a nonprofit organization) (the "Organization"), as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient enough and appropriate to provide a basis for our audit opinion.

---

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Environment Northeast as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Ryan Kristen Ouellette". The signature is written in a cursive, flowing style.

August 30, 2013  
South Portland, Maine

**ENVIRONMENT NORTHEAST**  
**Statements of Financial Position**  
**December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,799,006	1,819,205
Accounts and grants receivable	11,983	256,742
Prepaid expenses	7,952	5,701
Total current assets	1,818,941	2,081,648
Property and equipment:		
Furniture, equipment and software	44,134	41,926
Less accumulated depreciation	(39,011)	(34,515)
Net property and equipment	5,123	7,411
Other assets:		
Deposits	5,558	4,558
Investments	356,189	177,092
Total other assets	361,747	181,650
<b>Total assets</b>	<b>\$ 2,185,811</b>	<b>2,270,709</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	15,054	21,302
Accrued payroll and related expenses	5,806	92,800
Total current liabilities	20,860	114,102
Total liabilities	20,860	114,102
Net assets:		
Unrestricted:		
Undesignated	1,269,397	1,133,816
Net investment in property and equipment	5,123	7,411
Total unrestricted	1,274,520	1,141,227
Temporarily restricted	890,431	1,015,380
Permanently restricted	-	-
Total net assets	2,164,951	2,156,607
<b>Total liabilities and net assets</b>	<b>\$ 2,185,811</b>	<b>2,270,709</b>

*See accompanying notes to financial statements.*

**ENVIRONMENT NORTHEAST**  
**Statements of Activities**  
**Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Unrestricted support and revenue:		
Contributions	\$ 15,020	42,484
Foundations and grants	262,647	231,358
Interest income	5,060	7,962
Unrealized gain on investments	319	2,088
Other revenue	2,585	4,208
Net assets released from restrictions	1,568,219	1,328,872
Total unrestricted support and revenue	1,853,850	1,616,972
Expenses:		
Program services	1,556,631	1,353,468
Management and general	69,750	75,137
Fundraising and development	94,176	49,829
Total expenses	1,720,557	1,478,434
Change in unrestricted net assets	133,293	138,538
Temporarily restricted net assets:		
Contributions and grants	1,443,270	1,638,700
Net assets released from restrictions	(1,568,219)	(1,328,872)
Change in temporarily restricted net assets	(124,949)	309,828
Total change in net assets	8,344	448,366
Net assets, beginning of year	2,156,607	1,708,241
<b>Net assets, end of year</b>	<b>\$ 2,164,951</b>	<b>2,156,607</b>

*See accompanying notes to financial statements.*

**ENVIRONMENT NORTHEAST**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2012**

		<b>Program services</b>	<b>Management and general</b>	<b>Fundraising and development</b>	<b>Total expenses</b>
Salaries	\$	995,114	26,114	70,744	1,091,972
Payroll taxes and fringe benefits		213,039	8,431	11,160	232,630
Consultants		119,808	865	6,395	127,068
Grants to others		40,000	-	-	40,000
Accounting		10,069	2,147	328	12,544
Other professional fees		752	410	-	1,162
Office supplies		2,587	1,561	343	4,491
Communications		18,615	2,670	397	21,682
Postage		206	524	22	752
Rent		67,363	3,995	2,131	73,489
Printing		8,093	536	94	8,723
Travel		35,994	8,203	1,105	45,302
Meetings and conferences		9,065	1,004	161	10,230
Insurance		2,551	3,309	86	5,946
Books and subscriptions		996	560	98	1,654
Bank fees		25	801	-	826
Website		4,550	1,371	150	6,071
Technology		3,404	195	111	3,710
Lobbying fees		1,412	1,271	33	2,716
Other taxes		7,903	-	-	7,903
All other		10,435	5,583	668	16,686
Total expenses before depreciation		1,551,981	69,550	94,026	1,715,557
Depreciation		4,650	200	150	5,000
<b>Total expenses</b>	<b>\$</b>	<b>1,556,631</b>	<b>69,750</b>	<b>94,176</b>	<b>1,720,557</b>

*See accompanying notes to financial statements.*

**ENVIRONMENT NORTHEAST**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2011**

		Program services	Management and general	Fundraising and development	Total expenses
Salaries	\$	873,685	47,765	38,047	959,497
Payroll taxes and fringe benefits		190,454	9,049	6,791	206,294
Consultants		93,983	-	-	93,983
Accounting		10,223	4,271	330	14,824
Other professional fees		1,457	234	53	1,744
Office supplies		6,159	2,478	152	8,789
Communications		19,974	1,324	661	21,959
Postage		436	499	65	1,000
Rent		61,259	2,764	1,884	65,907
Printing		2,167	81	61	2,309
Travel		50,573	2,113	896	53,582
Meetings and conferences		11,027	866	322	12,215
Insurance		1,210	2,276	39	3,525
Books and subscriptions		871	174	28	1,073
Education and outreach		563	4	3	570
Bank fees		190	22	-	212
Website		400	167	13	580
Technology		552	270	18	840
Lobbying fees		418	505	-	923
Other taxes		7,903	-	-	7,903
All other		13,579	-	260	13,839
Total expenses before depreciation		1,347,083	74,862	49,623	1,471,568
Depreciation		6,385	275	206	6,866
<b>Total expenses</b>	<b>\$</b>	<b>1,353,468</b>	<b>75,137</b>	<b>49,829</b>	<b>1,478,434</b>

*See accompanying notes to financial statements.*

**ENVIRONMENT NORTHEAST**  
**Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Change in net assets	\$ 8,344	448,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,000	6,866
Unrealized gains on investments	(319)	(2,088)
(Increase) decrease in assets:		
Accounts and grants receivable	244,759	(213,383)
Prepaid expenses	(2,251)	74,140
Deposits	(1,000)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(6,248)	14,007
Accrued payroll and related expenses	(86,994)	2,755
Net cash provided by operating activities	161,291	330,663
Cash flows from investing activities:		
Purchases of property and equipment	(3,220)	(6,172)
Proceeds from sale of property and equipment	508	-
Purchase of investments	(178,778)	-
Proceeds from sale of investments	-	104,099
Net cash provided by (used in) investing activities	(181,490)	97,927
Net change in cash	(20,199)	428,590
Cash, beginning of year	1,819,205	1,390,615
<b>Cash, end of year</b>	<b>\$ 1,799,006</b>	<b>1,819,205</b>

*See accompanying notes to financial statements.*

**ENVIRONMENT NORTHEAST**  
**Notes to Financial Statements**

---

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

**Nature of Activities** - Environment Northeast (the "Organization") is a nonprofit organization committed to addressing large-scale environmental problems that threaten regional ecosystems, human health or the management of regionally significant natural resources, primarily in a bioregional ecosystem including New England and Eastern Canada. The Organization addresses these problems through policy analysis, collaborative problem solving efforts, and an advocacy program that promotes environmental sustainability.

**Basis of Accounting** - The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Basis of Presentation** - The financial statement presentation follows the recommendations of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. Under these recommendations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- . Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- . Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Expenditures of these assets in satisfaction of such restrictions (including the purchase of long-lived assets) are presented as net assets released from restrictions within the statements of activities, thereby reducing temporarily restricted net assets and increasing unrestricted net assets.
- . Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

For the years ended December 31, 2012 and 2011, the Organization had no permanently restricted net assets.

**Revenue** - The Organization's principal funding sources are contributions, gifts, and grants from the general public and private foundations.

**Income Taxes** - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement

**ENVIRONMENT NORTHEAST**  
**Notes to Financial Statements, Continued**

---

**NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There were no liabilities (or reduction in amounts refundable) for unrecognized tax benefits at December 31, 2012 and 2011, and no interest or penalties were accrued. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2009 through 2012.

**Expense Allocation** - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on direct labor incurred.

**Cash and Cash Equivalents** - For financial statement purposes, the Organization considers all depository accounts with financial institutions, including certificates of deposit with original maturities of less than 90 days and money market funds, to be cash and cash equivalents.

**Accounts and Grants Receivable** - Accounts and grants receivable consist of grants awarded but not yet received and other amounts owed to the Organization, that are collectible within one year of year end. Management has deemed all accounts and grants receivable to be fully collectible, therefore no allowance for uncollectible accounts has been recorded.

**Property and Equipment** - Significant items of equipment with estimated useful lives of more than one year and with a cost of \$500 or more are capitalized at cost if purchased, or fair market value if donated. The Organization depreciates equipment using the straight-line method. Estimated useful lives of the respective assets range from 3-5 years.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates.

---

**CONCENTRATION OF CREDIT RISK**

---

The Organization maintains its cash balances at various financial institutions in the United States (U.S.) and Canada. As of December 31, 2012 and 2011, interest bearing deposits in the U.S. were insured by FDIC up to a maximum amount of \$250,000 per institution, non-interest bearing deposits in the U.S. carried unlimited FDIC insurance coverage, and deposits in Canada were insured by CDIC up to a maximum amount of \$100,000 per institution. Additionally, the Organization holds a repurchase agreement with a local bank providing federally-backed collateralization for certain cash balances. At December 31, 2012 and 2011, the Organization's uninsured and uncollateralized cash balances totaled \$99,445 and \$272,936, respectively.

**ENVIRONMENT NORTHEAST**  
**Notes to Financial Statements, Continued**

---

**INVESTMENTS**

---

In accordance with the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification, the Organization reports its investments at fair value.

Investments at December 31, 2012 and 2011 were composed of the following:

	<u>2012</u>	<u>2011</u>
Certificates of deposit	\$ 352,382	175,180
Corporate stocks and bonds	3,807	1,912
<b>Total investments</b>	<b><u>\$ 356,189</u></b>	<b><u>177,092</u></b>

The Organization considers certificates of deposit with original maturities of greater than 90 days to be long-term investments and are shown as such on the statement of financial position. All others are considered to be cash and cash equivalents and are shown as current assets on the statement of financial position.

---

**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS**

---

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification, the Organization is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

*Level 1:* Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

**ENVIRONMENT NORTHEAST**  
**Notes to Financial Statements, Continued**

---

**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED**

---

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2012:

	Totals <u>12/31/12</u>	<u>Fair value at 12/31/12 using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Non-current investments				
Certificates of deposit	\$ 352,382	352,382	-	-
Large cap stocks	3,807	3,807	-	-
<b>Total</b>	<b>\$ 356,189</b>	<b>356,189</b>	<b>-</b>	<b>-</b>

Transfers between level 1 and level 2 assets are recognized on the actual date of the event or change in circumstance that caused the transfer; there were no transfers between level 1 and level 2 assets during the year ended December 31, 2012.

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2011:

	Totals <u>12/31/11</u>	<u>Fair value at 12/31/11 using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Non-current investments				
Certificates of deposit	\$ 175,180	175,180	-	-
Large cap stocks	1,912	1,912	-	-
<b>Total</b>	<b>\$ 177,092</b>	<b>177,092</b>	<b>-</b>	<b>-</b>

**ENVIRONMENT NORTHEAST**  
**Notes to Financial Statements, Continued**

---

**DEFINED CONTRIBUTION PLAN**

---

The Organization has a 401(k) plan through which eligible employees may make pre-tax elective deferrals up to limits set by law. The plan provides for an employer match of 100% of employee contributions up to a deferral of 6% of pay, as well as non-elective employer contributions which may be made at the discretion of the Organization. Total expenses relating to pension plan contributions for the years ended December 31, 2012 and 2011 amounted to \$56,772 and \$47,415, respectively.

---

**OPERATING LEASE OBLIGATION**

---

During the year ended December 31, 2008, the Organization entered into an operating lease for office space located in Hartford, Connecticut under the terms of a non-cancelable lease. The original term of this lease agreement was three years, with an additional three-year renewal option available thereafter, which was exercised in 2011. The lease calls for monthly payments of rent ranging from \$1,250 to \$1,450 per month. During the year ended December 31, 2012, the Organization entered into an operating lease for office space located in Providence, Rhode Island under the terms of a non-cancelable lease. The original term of this lease agreement is one year, with an option to renew per mutual agreement. The lease calls for monthly payments of \$1,000 per month. During the year ended December 31, 2012, the Organization incurred rental costs in relation to these leases amounting to \$25,340. Estimated future minimum payments under these leases are as follows:

<u>Year ending</u>	<u>Amount</u>
2013	\$ 21,580
2014	4,410
<b><u>Total</u></b>	<b><u>\$ 25,990</u></b>

---

**TEMPORARILY RESTRICTED NET ASSETS**

---

Temporarily restricted net assets consisted of funds whose use is restricted for the following programs at December 31:

	<u>2012</u>	<u>2011</u>
Climate	\$ 124,250	91,669
Transportation	54,984	15,000
Energy	689,697	908,711
Other	21,500	-
<b><u>Total</u></b>	<b><u>\$ 890,431</u></b>	<b><u>1,015,380</u></b>

**ENVIRONMENT NORTHEAST**  
**Notes to Financial Statements, Continued**

---

**CONDITIONAL PROMISES TO GIVE**

---

In 2012, the Organization was awarded a two-year grant from a private foundation, to be used to further its efforts in advancing energy efficiency and reducing greenhouse gas emissions. The amount of this grant is \$200,000. Of this amount, \$100,000 was received in 2012, while the remaining \$100,000 is scheduled to be received in 2013 upon the satisfaction of certain conditions. Accordingly, no receivable or revenue has been recognized within the accompanying financial statements at December 31, 2012 relating to this unpaid balance, as management views this commitment as a conditional promise to give not qualifying for recognition under the *Not-for-Profit Entities Revenue Recognition* topic of the FASB Accounting Standards Codification.

---

**SUBSEQUENT EVENTS**

---

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through August 30, 2013, which is the date these financial statements were available to be issued.